

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bar Harbor have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The Town of Bar Harbor operates under an elected Town Council and Town Manager form of government. The Town's Elementary School Department operates under an elected School Committee. The School Department is administered by Union #98. The Town's major operations include public works, water, wastewater, harbor facilities, public safety, fire protection, education, and general administrative services.

For financial reporting purposes the Town includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement, known as the "Reporting Model" statement affects the way the Town prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). The Town has recorded historical infrastructure assets in governmental activities and, accordingly, has recorded depreciation expense on those assets. The Town has recorded these effective June 30, 2006. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (continued)

Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the Town add the original budget to the current comparison of the final budget and actual results.

B. Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the Town’s general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the Town (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town’s own programs.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and various intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or withdraw directly from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The CIP funds account for all the Town and School Departments major capital projects.

The School Department accounts for the activities of the school operations.

The Town reports the following major proprietary funds:

The wastewater fund accounts for the activities of the wastewater operations. The Town operates the wastewater collection system and related administrative costs.

The water fund accounts for the activities of the water operations. The Town operates the water collection system and related administrative costs.

Additionally, the Town reports the following fund types:

Permanent funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

E. Assets, Liabilities and Equity

1. Deposits and Investments

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the Town limits its investments to those authorized by Maine State Statutes, which authorize the Town to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the Town requires that, at the time funds are invested, collateral for repurchase agreements be held in the Town’s name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (continued)

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year end are classified as deferred revenue. At June 30, \$221,808 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on September 1, 2006 on property values assessed on April 1. Taxes were due in two installments due on September 29 and March 30, with interest at 11.0% beginning October 2 and April 2. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

3. Inventories

Inventories are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u><i>Assets</i></u>	<u><i>Years</i></u>
Buildings	20-40
Infrastructure	18-77
Equipment	3-20

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave, holiday leave and comp time in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Under State Law, no municipality can incur debt, which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

At June 30, the Town of Bar Harbor is in compliance with the above requirements.

7. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the government's governmental funds. However, the Town's School Department does not budget for the revenues and expenditures associated with the employer's teacher retirement contribution made by the State of Maine on behalf of the town to the Maine State Retirement System. School grant funds and the school lunch fund do not have legally adopted budgets. All annual appropriations lapse at fiscal year-end to the extent that they have not been encumbered.

All agencies of the government submit requests for appropriations to the government's manager commencing 6 weeks before the manager is required to submit the budget to the government's council. The manager compiles

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (continued)

the data and submits the total budget to the council on or before the third Tuesday in January each year. The council holds public hearings, adopts the budget, and recommends it to the warrant committee on or before February 22. No later than seven days following adoption, the manager submits the budget to the warrant committee, which reviews the budget and submits its recommendation to the council at least four weeks prior to the Town Meeting. The council submits the budget to the Town Meeting along with the recommendation of the warrant committee. The Town Meeting adopts the final budget.

The appropriated budget is prepared by fund, function and department. The manager and department heads may make transfers of appropriations within cost centers, but may not exceed the total cost center appropriation. The council may transfer appropriations between cost centers to the extent of any unencumbered appropriation balance.

Reserve funds, once established by the Town Meeting, may be expended with approval of the council for the purpose for which the reserve was established.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Equivalents

At year-end, the government’s carrying amount of deposits was \$3,479,576 and the bank balance was \$3,715,988. The bank balance is categorized according to credit risk as follows:

Category 1 - Insured by Federal depository, private insurance or credit union insurance.

Category 2 - Collateralized with securities held by the pledging financial institution’s trust
Department or agent in the Town’s name.

Category 3 - Uninsured and uncollateralized.

	<i>Bank</i>	<i>Category</i>		
	<i>Balance</i>	<i>1</i>	<i>2</i>	<i>3</i>
Cash and Equivalents	<u>3,715,988</u>	<u>3,677,771</u>	<u>-</u>	<u>38,217</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Investments

Investments made by the Town are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

Category 1 - Insured or registered, or securities held by the government or its agent in the government's name.

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the government's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category 2</i>	<i>Fair Value</i>	<i>Cost</i>
U.S. Government Obligations	2,243,104	2,243,104	2,251,348
Corporate Bonds	250,580	250,580	251,215
	<u>2,493,684</u>	2,493,684	2,502,563
Unclassified - MBIA		<u>237,303</u>	<u>225,727</u>
Total Investments		<u>2,730,987</u>	<u>2,728,290</u>

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	1,371,689,210
Tax Rate (per \$1,000)	<u>8.50</u>

Commitment	<u>11,659,358</u>
------------	-------------------

Appropriations	15,000,117
----------------	------------

Less:

State Municipal Revenue Sharing	286,532
Estimated Revenues	3,001,850
Homestead Reimbursement	<u>52,377</u>
	<u>3,340,759</u>

Net Assessment for Commitment	<u>11,659,358</u>
-------------------------------	-------------------

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Property Taxes (continued)

Uncollected real estate taxes at June 30 for the current year commitment totaled \$232,308, which represents tax collection of approximately 98% of the current year commitment. Unpaid liens at June 30 totaled \$48,589.

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2007 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	3,000	3,101,998
Special Revenue Funds		
Municipal Revenue Sharing	11,773	
Dog Control Fund	1,772	
Eel Grass Grant	945	
School Operating	798,913	266,885
School Food Service		10,252
School Federal/State Projects	9,202	
School Reserves	251,008	
School Grants	5,504	
School Donations	1,171	
Trust Funds		3,000
Capital Project Funds	<u>2,298,847</u>	
Totals	<u><u>3,382,135</u></u>	<u><u>3,382,135</u></u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not begin depreciated</i>				
Land	1,888,691	10,823		1,899,514
<i>Capital assets being depreciated</i>				
Buildings	6,948,002	22,010	6,000	6,964,012
Equipment	3,835,577	664,595	335,776	4,164,396
Infrastructure	15,445,695	450,832	94,630	15,801,897
Construction Work in Progress	440,123	49,405	295,748	193,780
<i>Total capital assets being depreciated</i>	26,669,397	1,186,842	732,154	27,124,085
<i>Less accumulated depreciation for</i>				
Buildings	2,084,729	151,938	4,020	2,232,647
Equipment	2,205,832	329,251	311,483	2,223,600
Infrastructure	9,583,024	488,439	83,260	9,988,203
<i>Total accumulated depreciation</i>	13,873,585	969,628	398,763	14,444,450
<i>Net capital assets being depreciated</i>	12,795,812	217,214	333,391	12,679,635
<i>Governmental Activities Capital Assets, net</i>	14,684,503	228,037	333,391	14,579,149

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	164,793			164,793
<i>Capital assets being depreciated</i>				
Water Fund	7,188,643	205,320	6,267	7,387,696
Wastewater Fund	17,488,462	500,306	14,315	17,974,453
<i>Total capital assets being depreciated</i>	<u>24,841,898</u>	<u>705,626</u>	<u>20,582</u>	<u>25,526,942</u>
<i>Less accumulated depreciation for</i>				
Water Fund	1,952,262	176,879	16,318	2,112,823
Wastewater Fund	5,113,097	476,197	12,880	5,576,414
<i>Total accumulated depreciation</i>	<u>7,065,359</u>	<u>653,076</u>	<u>29,198</u>	<u>7,689,237</u>
<i>Net capital assets being depreciated</i>	<u>17,776,539</u>	<u>52,550</u>	<u>(8,616)</u>	<u>17,837,705</u>
<i>Business-type Activities Capital Assets, net</i>	<u>17,776,539</u>	<u>52,550</u>	<u>(8,616)</u>	<u>17,837,705</u>

Depreciation expense was charged to functions/programs of the primary government as follows;
Governmental Activities:

General Government	132,890
Public Safety	178,696
Health and Welfare	5,231
Parks and Recreation	32,515
Roads and Sanitation, including infrastructure	523,367
Education Programs	85,313
Administrative Support	<u>11,616</u>
 Total Depreciation Expense - Governmental Activities	 <u>969,628</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Capital Leases

The Town is obligated under certain leases accounted for as capital leases. The related obligations are accounted for in General Long-Term Debt Account Group. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30:

<i>Year-ended June 30,</i>	<i>Minimum Lease Payment</i>
2008	13,883
2009	13,883
2010	5,530
Total Minimum Lease Payments	33,296
Less: Amount Representing Interest	(2,215)
Present Value of Future Minimum Lease Payments	31,081

G. Long-Term Debt

1. General Obligation Bonds and Notes. The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<i>Purpose</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
General Obligation			
1988 Community Building	6/1/2009	6.75-7.7%	50,000
1988 Public Improvement Bonds	11/1/2010	5.00-7.85%	46,231
1990 School/Septic Dump Bonds	6/1/2010	6.50-9.00%	56,838
1992 School Project Bonds	6/1/2012	5.7-6.5%	575,000
2004 Municipal Renovations	11/1/2013	3.62%	200,593
2004 School Heating	11/1/2024	4.57%	751,414
2004 School Renovations	11/1/2013	0.00%	490,000
2005 Hulls Cove Wastewater	11/1/2013	3.00%	720,000
			2,890,076

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Debt (Continued)

1. General Obligation Bonds and Notes. (Continued)

	Maturity Date	Interest Rate	Amount
Proprietary			
1988 Wastewater Improvement Bonds	11/1/2010	5.00-7.85%	58,438
1990 Dewatering / Browning Point	6/1/2010	6.5-9.00%	33,162
1992 Wastewater Project Bonds	6/1/2012	5.7-6.50%	300,000
1997 Wastewater Plant	10/1/2017	3.00%	4,409,495
2001 Wastewater Improvement Bond	4/1/2011	2.00%	110,000
2005 Hulls Cove Wastewater Plant	11/1/2013	3.00%	765,000
2001 Water Acquisition Bond	12/1/2021	4.540%	3,165,000
2002 Water Tank Purchase	10/1/2021	2.673%	592,067
			<u>9,433,162</u>
Total Debt			<u>12,323,238</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$3,309,547 are as follows:

Year Ended June 30,	General Obligation Debt	Proprietary	Total
2008	448,516	999,825	1,448,341
2009	435,695	996,838	1,432,533
2010	399,648	988,464	1,388,112
2011	369,377	973,653	1,343,030
2012	347,344	927,678	1,275,022
2013-2017	793,594	4,314,311	5,107,905
2018-2022	551,381	2,448,529	2,999,910
2023-2027	315,038	271,801	586,839
2028		51,093	51,093
Total	<u>3,660,593</u>	<u>11,972,192</u>	<u>15,632,785</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Debt (Continued)

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the Town of Bar Harbor for the fiscal year ended June 30, 2007:

	General Obligation		
	Debt	Proprietary	Total
Long-term Debt payable July 1, 2006	3,219,991	10,091,387	13,311,378
Debt Issued			-
Debt Retired	(329,915)	(658,225)	(988,140)
Long-term Debt payable June 30, 2007	<u>2,890,076</u>	<u>9,433,162</u>	<u>12,323,238</u>

3. Debt Authorized - Unissued

The Town was authorized issue general obligation securities not to exceed \$1,000,000 to assist in the financing of infrastructure costs for Northeast Creek, an affordable housing project. As of 6/30/07, this has not been issued:

Per Referendum Vote of:	Purpose	Unissued Amount
June 12, 2007	Northeast Creek	\$1,000,000

H. Contributed Capital

Changes in contributed capital for the year-ended June 30 for the government's Proprietary Funds were as follows:

	Wastewater	Water
Balance - Beginning of Year	3,288,596	127,410
Additions:		7,604
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(123,518)</u>	<u>(5,514)</u>
Balance - End of Year	<u>3,165,078</u>	<u>129,500</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the government expects such amount, if any to be immaterial.

The government is a defendant in various lawsuits which results from the normal course of its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management that resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Permanent Funds

The principal amount of all Permanent is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Permanent Funds at June 30 are detailed as follows:

<u>Purpose</u>	<u>Nonexpendable</u>	<u>Expendable</u>
Cemetery Care	2,137	261
Scholarships	6,488	1,685
Total	<u>8,625</u>	<u>1,946</u>

C. Pension Plans

Plan Description

The Town's employees are covered under the ICMA or Maine State Retirement System.

The ICMA is a qualified pension plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular, full-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the Town remits all compensation deferred to this administrator for investment as requested by the participant employees. All compensation deferred and funded under the plan, all investments purchased and all income attributable thereto are held in trust for the exclusive benefit of participants and their beneficiaries.

The Town participates in the Maine State Retirement System Consolidated Plan for Participating Districts (Consolidated Plan), and the Maine State Retirement System's Teacher Plan, both which are cost sharing multiple-employer defined benefit pension plans.

The Maine State Retirement System (System) is a body corporate and politic and an incorporated public instrumentality of the State. Under Title 5 M.R.S.A. the System is the administrator of retirement and disability

TOWN OF BAR HARBOR

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans

Plan Description (Continued)

benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System issues a financial report that includes the financial statements and required supplementary information for the plans. That report may be obtained by writing to Maine State Retirement System, Two Central Plaza, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy

Under the ICMA plan, covered employees contribute a percentage of their salary to the plan with the Town contributing 6.5% to 9.5%. The Town's general fund cost for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 were \$98,327, \$104,889, \$96,153 and \$115,252 respectively.

Maine State Retirement System Consolidated Plan members are required to contribute 6.5% to 7.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 2.8% to 3.5% of annual covered payroll, plus a monthly contribution of \$1,026. The contribution requirements of plan members and the Town are established by the Maine State Retirement System Board of Trustees. The Town's general fund contributions to the Consolidated Plan for the years ended June 30, 2004, 2005, 2006 and 2007, were \$46,285, \$31,180, \$33,453 and \$53,435 respectively, which were paid in full each year.

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the School Department is required to contribute an actuarially determined rate. The current rate is 2.8% of annual covered payroll, plus a monthly payment for all covered employees of \$154. The contribution requirements of plan members and the School Department are established by the Maine State Retirement System Board of Trustees. The School Department's contributions to the Consolidated Plan for the years ended June 30, 2005, 2006 and 2007 were \$4,857, \$5,553 and \$5,727 respectively, which were paid in full each year.

Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The State Department of Education is required to contribute the employer contribution, which amounted to 19.14% of the annual covered salary for fiscal year 2007. The State's cost for 2007 was approximately \$492,164. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 19.14% of their compensation. This cost amounted to \$15,533 for 2007 and is chargeable to the applicable grants.

D. Bar Harbor Water Company Pension Plan

Prior to its acquisition by the Town, the employees of the Bar Harbor Water Company were covered by the Bar Harbor Water Company Retirement Plan for Employees, a defined benefit pension plan. Contributions were actuarially determined and made by the employer. Employees did not make contributions.

The plan was amended by the Town Council to discontinue the accrual of any additional benefits after December 31, 2001, and effective January 1, 2002, the Town of Bar Harbor became the successor sponsor.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - OTHER INFORMATION (Continued)

D. Bar Harbor Water Company Pension Plan (Continued)

Based on the latest actuarial valuation as of January 1, 2007, the accrued liability of the plan was \$440,890. The value of assets available for funding totaled \$223,072, leaving an unfunded liability of \$217,818. The total unfunded liability has been recorded as a liability at June 30, 2007 of the Bar Harbor Water Division enterprise fund.

C. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the town participated in public entity risk pools sponsored by the Maine Municipal Association (MMA) for workers' compensation, and property damage.

Workers' Compensation - MMA's workers' compensation self-insured trust retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000. All participants are jointly and severally liable, therefore, if collected claims exceed collective contributions the trust has a right to assess additional contributions to its members.

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverage and services. The Pool retains loss of property risk which exceeds \$1,000 up to a maximum coverage of \$100,000 and purchases an additional \$200,000,000 per occurrence. The Pool retains the first \$100,000 liability coverage per occurrence and purchases excess insurance for claims which exceed \$100,000 up to a maximum of \$1,000,000 per occurrence and \$5,000,000 aggregate annual coverage, and crime coverage which exceeds \$1,000 up to a maximum coverage of \$250,000.

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2007.